

Message Text

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REFERENCE: 053993

1. THE FOLLOWING IS EMBASSY STATEMENT ON CLIMATE FOR
DIRECT FOREIGN INVESTMENT:
"JORDAN'S SMALL POPULATION, ABOUT 2.5 MILLION INCLUDING THE
OCCUPIED WEST BANK, LIMITED NATURAL RESOURCES AND THE UN-
CERTAIN POLITICAL CLIMATE OF THE MIDDLE EAST HAVE COMBINED
TO INHIBIT DIRECT FOREIGN INVESTMENT. THE 1967 WAR AND
THE OCCUPATION OF THE WEST BANK CUT JORDAN'S GNP AN ESTIMATED
40 PERCENT, BUT BY 1972 THERE WERE SIGNS OF AN ECONOMIC
UP-TURN AND LAST YEAR THERE WERE GAINS IN ALL SECTORS
EXCEPT AGRICULTURE.
BECAUSE OF THE COUNTRY'S DEPENDENCE ON IMPORTS AND A POOR
HARVEST LAST YEAR, INFLATION WORSENERD DURING 1973 AND THE
AMMAN CONSUMER PRICE INDEX ROSE 18.5 PERCENT. GRANTS TO THE
JORDAN GOVERNMENT FROM ARAB COUNTRIES AND THE UNITED
STATES, AS WELL AS REMITTANCES FROM JORDANIANS WORKING
ABROAD, HAVE KEPT FOREIGN EXCHANGE RESERVES HIGH (13
MONTHS IMPORTS) IN SPITE OF THE SIZEABLE TRADE DEFICIT.
THE GOVERNMENT HAS INVESTED IN ACTIVITIES WHERE THE
PRIVATE SECTOR LACKED EXPERIENCE OR THE CAPTIAL REQUIRED
AND NOW HOLDS SHARES IN 18 COMPANIES. HOWEVER, THE BULK
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OF ECONOMIC ACTIVITY IS CARRIED OUT BY PRIVATE FIRMS.

LEGISLATION IN 1967 AND 1972 ENCOURAGES FOREIGN INVESTMENT BY GRANTING EXEMPTIONS FROM INCOME AND SOCIAL SERVICE TAX TO APPROVED PROJECTS; FOR COMPANIES LOCATING OUTSIDE AMMAN DISTRICT THESE EXEMPTIONS ARE EXTENDED BY THREE YEARS. APPROVED INVESTORS ARE ALSO EXCUSED FROM DUTIES ON IMPORTS OF CAPITAL GOODS AND CAN BE GRANTED GOVERNMENT LAND. THE 72 LAW PROVIDES GUIDELINES FOR THE REPATRIATION OF PROFITS, INTEREST AND CAPITAL AND THERE HAVE BEEN NO PROBLEMS OR DEALYS WITH FOREIGN EXCHANGE TRANSFERS. NON-JORDANIANS MAY NOT HOLD OVER 49 PERCENT OF THE EQUITY OF A LOCAL COMPANY WITHOUT GOVERNMENT APPROVAL. ALTHOUGH DIRECT FOREIGN INVESTMENT IS STILL SMALL AND CONCENTRATED IN BANKING, AMERICAN BUSINESS HAS RECENTLY DEMONSTRATED INTEREST IN POSSIBLE PROJECTS HERE. U.S. COMPANIES ARE NOW EXPLORING THE INVESTMENT POSSIBILITIES IN TOURISM AND MINING, AND AN AMERICAN BANK RECENTLY OPENED A WHOLLY OWNED OFFICE IN AMMANMZ

2. IN REPLY TO PARAGRAPH 8 OF REFTTEL, OUR ESTIMATE OF THE BOOK VALUE OF US DIRECT INVESTMENT AS OF THE END OF 72 ABOUT \$1 MILLION, CHIEFLY IN BANKING. TOTAL DFI HERE AT THE END OF 72 WAS AROUND \$3 MILLION, 40 PERCENT OF WHICH WAS FROM THE U.K. THERE IS NO OFFICIAL DATA ON JORDANIAN INVESTMENT IN THE U.S., BUT WE BELIEVE IT IS QUITE SMALL. PICKERING

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